

Message Text

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64

ORIGIN EB-03

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FM SECSTATE WASHDC

TO AMEMBASSY LAGOS NIACT IMMEDIATE

C O N F I D E N T I A L STATE 013408

LIMDIS

E.O. 11652:GDS

TAGS:EAID, PFOR, NI

SUBJECT:U.S. POLICY TOWARD DEVELOPMENT BANK LENDING TO OIL

EXPORTERS

FOR AMBASSADOR

REFS: (A) STATE 277446; (B) STATE 6254; (C) LAGOS 429;

(D) LAGOS 600

1. YOU MAY WISH TO DRAW ON REFTEL (B) FOR BASIC PHILOSOPHY
BEHIND U.S. EXECUTIVE DIRECTOR'S (USED) STATEMENT AT THE
DECEMBER 17 IBRD BOARD MEETING.

2. IT IS WORTH NOTING THAT THE USED ASKED TO BE RECORDED AS
ABSTAINING ON THE FIVE LOANS BEFORE THE BOARD, HE DID NOT
OPPOSE THEM. REFTEL (C) INDICATES SOME CONFUSION ON THIS
POINT IN THE FMG.

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3. DETAILS OF USG POLICY ARE STILL BEING WORKED OUT. IN HIS

STATEMENT ON THE BANK'S FINANCIAL POLICIES PAPER USED WILL PRESENT A FURTHER REFINEMENT OF U.S. POLICY AT THE IBRD BOARD MEETING ON JANUARY 21. TEXT OF RELEVANT SECTION OF PROPOSED STATEMENT FOLLOWS.

4. QUOTE: I WOULD NOW LIKE TO TURN TO THE QUESTION OF BANK LENDING TO OIL EXPORTING COUNTRIES. ON THIS MATTER, I WOULD LIKE TO STATE MY GOVERNMENT'S POSITION VERY CLEARLY.

(A) FOR THOSE RICHER OIL EXPORTING COUNTRIES WITH FINANCIAL RESOURCES IN SUBSTANTIAL EXCESS OF NEAR-TERM DEVELOPMENT NEEDS, THE BANK SHOULD REQUIRE EFFECTIVE "BUY-BACK" ARRANGEMENTS BEFORE ANY NEW LOANS ARE MADE, AND ALSO REQUIRE FULL REIMBURSEMENT FOR TECHNICAL AND MANAGERIAL ASSISTANCE. FOR POORER OIL EXPORTING COUNTRIES, WE COULD ENVISION LESS THAN FULL REIMBURSEMENT FOR TECHNICAL ASSISTANCE.

(B) LOANS TO OIL EXPORTING COUNTRIES WHICH DO NOT INCORPORATE "BUY-BACK" PROVISIONS SHOULD BE CONSIDERED ON THE MERITS OF EACH SUCH COUNTRY'S SITUATION, AND SHOULD BE BASED ON ITS NEED FOR FINANCIAL SUPPORT, TAKING INTO ACCOUNT ITS CURRENT AND PROSPECTIVE ECONOMIC SITUATION AND FOREIGN EXCHANGE REQUIREMENTS. THE TOTAL OF ANY SUCH LOANS TO OIL EXPORTING COUNTRIES SHOULD BE CAREFULLY MONITORED, BEARING IN MIND THE PRESSING NEEDS OF OTHER DEVELOPING COUNTRIES FACING SERIOUS BALANCE OF PAYMENTS DEFICITS.

(C) WE DO NOT BELIEVE THERE SHOULD BE ANY LINK BETWEEN BANK BORROWING AND BANK LENDING. THEREFORE, WE DO NOT BELIEVE THAT THE TRANSITIONAL PRACTICE OF THE PAST YEAR BY WHICH THE BANK NEGOTIATED FINANCIAL OFFSETS THROUGH AGREEMENTS PROVIDING FOR BANK LOANS ON THE ONE HAND AND PURCHASES OF BANK OBLIGATIONS ON THE OTHER SHOULD CONTINUE. WE BELIEVE THAT DECISIONS ON IBRD LENDING MUST BE MADE INDEPENDENTLY OF WHETHER OR NOT A COUNTRY CHOOSES TO PURCHASE IBRD BONDS, AND THAT THE MARKETING OF IBRD OBLIGATIONS MUST BE INDEPENDENT OF BANK LENDING POLICY. END QUOTE.

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5. AS INDICATED REFTEL B VARIOUS AGENCIES WITHIN USG ARE CONCERNED ABOUT CONTINUED DEVELOPMENT BANK ASSISTANCE TO OIL EXPORTERS WHICH HAVE LARGE AND GROWING RESERVES. TREASURY HAS CITED THE FOLLOWING DATA REGARDING THE NIGERIAN SITUATION IN 1974: PER CAPITA GNP DOLS. 230; IMPORTS DOLS. 2.5 BILLION; CURRENT RESERVES DOLS. 4.6 BILLION; RESERVE INCREASE SINCE 1973, DOLS. 4 BILLION; MONTHS OF IMPORTS COVERED 22.

6. UNDERSTAND DESK OFFICER IS CURRENTLY AT POST AND THUS
AVAILABLE FOR FURTHER BACKGROUND INFORMATION. KISSINGER

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NNN

Message Attributes

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